

VZCZCXRO8653  
PP RUEHRG  
DE RUEHBR #1130/01 1691741  
ZNR UUUUU ZZH  
P 181741Z JUN 07  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC PRIORITY 9266  
INFO RUEHSO/AMCONSUL SAO PAULO 0159  
RUEHRI/AMCONSUL RIO DE JANEIRO 4603  
RUEHRG/AMCONSUL RECIFE 6821

UNCLAS SECTION 01 OF 02 BRASILIA 001130

SIPDIS

EB/CBA FOR SMITH-NISSLEY  
RM FOR PINEDA  
WHA/EPSC FOR SALAZAR

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E.O. 12958: N/A  
TAGS: [ECON](#) [BEXP](#) [ELAB](#) [ETRD](#) [BR](#)  
SUBJECT: AMEMBASSY BRASILIA NOMINATES RURALFONE FOR THE SECRETARY'S  
2007 CORPORATE EXCELLENCE AWARD (SMALL AND MEDIUM-SIZE ENTERPRISE  
CATEGORY)

11. (U) Based upon its outstanding program aimed at using technology and resources to assist communities located in Brazil's remote, underprivileged areas, the Ambassador nominates the U.S. company Ruralfone, Inc. for the Secretary of State's 2007 Award For Corporate Excellence For the Small to Medium Size (SME) Category.

12. (U) Begin Text of Award Nomination

Ruralfone and its Brazilian subsidiary, Local Servicos de Telecomunicacoes, Ltda., provide land-line telephone services for consumers outside the country's large metropolitan areas, a market niche that is all too often not served by the telecom giants. The company was created in 2004 and has an outstanding program through which United States entrepreneurship, technology and resources contribute to the development of small communities not only through financial investment, but more importantly, through the commitment of staff (at all levels) to community social development. The result has been an improvement in both the productivity and quality of life of the firm's customers.

In 2004 Ruralfone's principals quit their jobs in San Francisco to found the company. To finance the effort, they raised US\$2 Million from friends and family and obtained a US\$1 million loan from the Overseas Private Investment Corporation "OPIC." They learned Portuguese and moved with their families to Northeastern Brazil in order to start their pilot project in a city named Quixada, in the State of Ceara. Ruralfone selected one of the poorest cities in one of the poorest States in Brazil to start its operations in order to prove that its concept was not unique to mid-level per capita incomes, but could work at the lower income levels present in developing countries. The company soon plans to expand. By the end of June 2007, it will start operating in three more cities: Quixeramobim, Russas and Aracati.

DEVELOPMENT OF COMPETITIVE AND INNOVATIVE ACTIVITIES WITH MEASURABLE RESULTS.

Within the Brazilian telecommunications industry, Ruralfone has been a leader in embracing innovation. Ruralfone's strategic plan relies upon decentralization and is built around the idea of an autonomous "independent business unit" in every city. It is breaking the established "way of thinking" about telephony in remote areas, insisting that service can be provided profitably without government subsidies.

Ruralfone has proven its concept is successful, and has filled a needed market niche. Its recent customer satisfaction survey, in which over 95% of those surveyed rated their service as very highly satisfactory as compared to the other alternative in Quixada.

Ruralfone's price per minute, compared to other operators, is the second lowest in the world. Ruralfone's price of \$0.016 per minute is only bested by TAC of Thailand, which charges a price of \$0.015 per minute. As a result, Ruralfone's customers talk an average of 400 minutes per month compared to Brazil's average of 80 minutes for mobile and 200 minutes for fixed lines.

Its financial model is also proving to be a success. The local subsidiary is now fully self-sufficient, operating at a positive earnings before interest, taxes, depreciation and amortization (EBITDA) of about 50% after only 24 months in operation. This is twice the EBTIDA of national Brazilian carriers.

Overall, Ruralfone has made a very large contribution to a community located in one of the poorest areas of a developing country. The challenges Ruralfone, Inc. faces are enormous, but if this model spreads it could revolutionize the way telecom carriers do business in the world's developing economies.

#### GOOD CORPORATE CITIZENSHIP

Ruralfone partners and employees dedicate their personal time and knowledge to community-based educational programs. One employee has provided two weeks of training in sales to area residents. In addition, the company gives free English classes to its employees. During the holiday season, Ruralfone sponsored an event in which its employees gathered toys and distributed them to children in the less fortunate neighborhoods of Quixada.

Finally, in order to help local citizens in distress, Ruralfone set up a number of special "hotlines" for citizens with emergency needs. These include a suicide hotline and a telephone number for victims or those threatened with sexual abuse and/or child exploitation.

#### CONTRIBUTION TO THE RULE OF LAW AND OVERALL GROWTH AND DEVELOPMENT OF THE LOCAL ECONOMY

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Through its outstanding program to provide telecommunication services for small communities, Ruralfone has contributed greatly to local economic development. After only two years of operation, Ruralfone has already attracted 3,000 subscribers, which represents roughly 50% market share of the total number of fixed lines installed in Quixada.

Ruralfone has also increased Quixada's teledensity (number of lines per inhabitant) by 65% in only two years. This is significant as the majority of the lines sold are to people who did not have a fixed line before, and more importantly, previously could not afford one.

Ruralfone has also shown it can adapt American management philosophy (rewarding people based on the results obtained) to developing areas of Brazil. The concepts of commission and bonus are relatively new to the region and the introduction of these tools by Ruralfone has enabled its employees to generate above average incomes. Another incentive package that it has introduced is a stock option plan for its Brazilian employees, a business practice that is uncommon in Brazil for SME's.

Finally, Ruralfone promotes development of the local economy by utilizing local resources (radio stations, printing companies, van advertisements, etc) to do its promotion campaigns. For example, it sponsored a contest within the city, complete with prizes for the winner, to create its advertising logo and company song.

#### EXEMPLARY EMPLOYMENT PRACTICES

Ruralfone provides training to its local employees in Quixada to enable them to operate and maintain the "high technology" equipment required for an independent telephone company. One of its highest priorities in the training field is to augment employees' technical skills. Accordingly, the company provides job opportunities to students from the three universities neighboring the community. The company itself is managed and operated by local residents. Ruralfone is meticulous in abiding by the highest ethical standards, treats its employees with respect, and invests in its human resources. It is because of Ruralfone's commitment to the quality of life of both its employees and the community in Quixada that U.S.

Mission Brazil nominates Ruralfone for the Secretary of State's 2007  
Award for Corporate Excellence for a Small to Medium size  
Enterprise.

End Text of Award Nomination

Sobel